

FILE COPY

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Comptroller



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

Internal Audit Section



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January 26, 2007

Karen Wallensak, Executive Director
Catholic Charities/Housing Resource Center
800 N. Tucker Blvd.
St. Louis, MO 63101

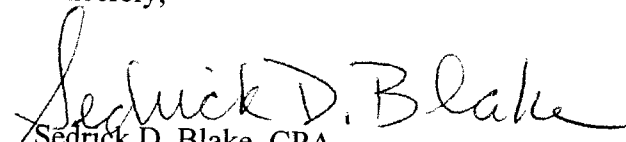
RE: Fiscal Monitoring Report of Catholic Charities/Housing Resource Center
(Project #2007-CDA12)

Dear Ms. Wallensak:

Enclosed is a report of our fiscal monitoring review of Catholic Charities/Housing Resource Center (Contracts #05-36-23) for the period January 1, 2005 through October 31, 2006. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of The Catholic Charities/Housing Resource Center. Our fieldwork was completed on November 28, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub recipients. If you have any questions, please contact Charles Schroeder at 589-6089.

Sincerely,


Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, Community Development Administration
Lorna Alexander, Fiscal Coordinator, Community Development Administration



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**CATHOLIC CHARITIES/HOUSING RESOURCE CENTER
CONTRACT #05-36-23**

FISCAL MONITORING REVIEW

JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

PROJECT #2007-CDA12

DATE ISSUED: JANUARY 26, 2007

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CATHOLIC CHARITIES/HOUSING RESOURCE CENTER
CONTRACT: #05-36-23
FISCAL MONITORING REVIEW
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

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**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CATHOLIC CHARITIES/HOUSING RESOURCE CENTER
CONTRACT: #05-36-23
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INTRODUCTION

Background

Contract Name: Catholic Charities/Housing Resource Center

Contract Number: 05-36-23

Contract Period: January 1, 2005 through December 31, 2005

Contract Amount: \$205,000

Contract #05-36-23 (Document 50834) provided Community Development Block Grant (CDBG) funds to Catholic Charities/Housing Resource Center was designed to better serve the homeowners, housing stock and neighborhood residents of the City. The program helped homeowners who have low and moderate incomes to preserve the viability of their homes and systematically address emergency repair needs. This included bringing their homes up to current health and safety building code compliance. In addition, this program helped the City meet its goals for prevention of lead hazard related poisoning among homeowners and especially young children.

Purpose

The purpose of our review was to determine Catholic Charities/Housing Resource Center's compliance with federal, state and local CDBG requirements for the periods January 1, 2005 through December 31, 2005 and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding Catholic Charities/Housing Resource Center's internal controls relating to the grant administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on November 28, 2006. Management's responses were received on January 26, 2007 and have been incorporated into this report.

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CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS

Conclusion

The Catholic Charities/Housing Resource Center did not fully comply with federal, state and local CDBG requirements.

Status of Prior Observations

The Agency's previous Fiscal Monitoring Report dated April 30, 2004 noted one (1) observation.

- The Agency did not have disbursement checks signed by two duly authorized officers. **(Resolved)**

A-133 Status

The Agency is under the auspices of the Archbishop of St. Louis. The Archdiocese was required to have an A-133 Audit for the year ending June 30, 2006. IAS reviewed the A-133 Audit on December 06, 2006. The audit had no reportable conditions, no instances of noncompliance material to the financial statements, and no Federal awards findings now questioned costs noted.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist The Catholic Charities/Housing Resource Center in fully complying with federal, state and local CDBG requirements.

- There appears to be a conflict of interest.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS, AND
MANAGEMENT'S RESPONSES**

There Appears to be a Conflict of Interest

CDBG regulations at 24 CFR 570.611 prohibit conflicts of interest for governmental and public agency sub-recipients. These conflicts of interest provisions apply to any person, who is an employee, agent, consultant, officer or elected official or appointed official of the recipient (City of St. Louis) or of any designated public agencies, or sub-recipients, who are receiving funds.

The Archdiocese of St. Louis is the parent company of Housing Resources Center (a sub-recipient of the City). There is a City of St. Louis Alderman on the Board of Directors of the Archdiocese. We believe the inclusion presents the appearance of a conflict of interest and a violation of CDBG regulations because it is the Board of Aldermen who have approved this contract. It is the Board of Alderman who determines which Agencies to fund with CDBG monies.

Recommendation

We recommend the Agency meet with and obtain a written opinion from CDA or the City of St. Louis Counselor's Office to resolve the inclusion of the City of St. Louis Alderman on the Board of Directors.

Management's Response

Ward 2 Alderwoman ... is a member of the Catholic Charities of St. Louis Board of Directors. Her participation on the board, according to your report, presents the appearance of a conflict of interest.

As is noted in the report, Catholic Charities has asked the alderwoman to abstain from any votes taken by the Board of Directors regarding contracts with the City of St. Louis. Minutes from board meetings where such resolutions are considered should reflect her abstention.

Also, (the) Alderwoman ... obtained a written opinion from her attorney that her participation on the board does not constitute a conflict of interest. Catholic Charities has asked (her) for a copy of this document; it will be forwarded to the City's Counselor's Office for review and a written opinion.